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Message Text

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ACTION AF-10

INFO OCT-01 NEA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /128 W
----------086569 021351Z /45
R 020803Z MAR 78
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 6687
INFO AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
USINT BAGHDAD

C O N F I D E N T I A L KHARTOUM 0925

E.O. 11652: GDS
TAGS: ENRG, EFIN, SU, SA, EG
SUBJECT: SUDAN DIVERSIFIES PETROLEUM SOURCES

1. OFFICIAL FROM PETROLEUM GENERAL ADMINISTRATION (PGA) WHO ACCOMPANIED MINISTRY OF ENERGY AND MINING ON RECENT TRIP TO IRAQ, EGYPT, AND SAUDI ARABIA, TOLD EMBOFF THAT VISIT WAS SUCCESSFUL IN DIVERSIFYING SUDAN'S PETROLEUM SOURCES. IN 1978 SUDAN WILL IMPORT MORE CRUDE AND PRODUCT (2 MILLION MT) THAN PREVIOUSLY, BUT WILL HAVE A SMALLER PETROLEUM BILL (INITIALLY) BECAUSE OF FAVORABLE PAYMENT TERMS ARRANGED BY THE SAUDIS. ACCORDING TO PGA SOURCE, THE PAYMENT TERMS, WHICH HE DESCRIBED AS VERY CONCESSIONAL, APPLY TO BOTH EGYPTIAN AND SAUDI PETROLEUM IMPORTS. WE ASSUME THAT SAUDIS ARE UNDERWRITING FINANCING OF EGYPTIAN EXPORTS.

2. DISCUSSIONS IN IRAQ: IRAQ APPARENTLY CONTINUES TO DEMAND TERMS THAT ARE TOO STIFF FOR THE SUDANESE. ABU ZEID WAS UNABLE TO SOFTEN THE IRAQI STANCE DURING FIVE DAYS
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OF DISCUSSION IN BAGHDAD. SUDAN WILL HONOR ITS FIVE-YEAR AGREEMENT TO PURCHASE ONE MILLION MT OF CRUDE EACH YEAR, BUT WILL MOST LIKELY SEEK OTHER SUPPLIERS WHEN AGREEMENT EXPIRES IN 1979.

3. NEW SOURCES OF SUPPLY: ACCORDING TO OUR SOURCE, ABU ZEID HAS NEGOTIATED DELIVERIES OF UP TO 500,000 MT

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OF CRUDE (AND SOME PRODUCT) FROM BOTH EGYPT AND SAUDI ARABIA IN 1978. EGYPTIAN CRUDE HAS ALREADY BEEN TESTED AT POST SUDAN REFINERY AND CAN BE PROCESSED THERE WITHOUT DIFFICULTY. SAUDI LIGHT HAS NOT BEEN PROCESSED IN THE SUDAN FOR TEN YEARS, BUT SUDANESE DOUBT THAT COMPOSITION CHANGES WILL BE SUFFICIENT TO PREVENT PORT SUDAN REFINING. ONE TANKER IS ALREADY UNDERWAY FROM DHAHRAN CARRYING THE FIRST SHIPMENT.

4. REFINING: BECAUSE IMPORTS OF CRUDE AT THE TWO MILLION MT LEVEL EXCEED PORT SUDAN'S CURRENT REFINING CAPACITY, SUDAN IS NEGOTIATING TO TAKE SOME IMPORTS IN THE LAST HALF OF 1978 IN PRODUCT. KUWAIT ALREADY SUPPLIES SOME PRODUCT, AND SUDAN APPARENTLY HAS AGREEMENT WITH BOTH EGYPT AND PDRY TO REFINE SOME CRUDE FOR SUDAN.

5. STRATEGIC RESERVE: SUDAN IS STRONGLY INTERESTED IN DEVELOPING A STRATEGIC RESERVE, AND PROSPECTIVE 1978 IMPORTS OF 2 MILLION MT PROVIDE SOME SURPLUS. PGA IS NOW EXAMINING ON A PRIORITY BASIS OPTIONS FOR INCREASING THEIR INADEQUATE STORAGE FACILITIES. WE UNDERSTAND THAT ONE PURPOSE OF PGA DIRECTOR ABDUL FATAH'S VISIT TO THE UNITED STATES IN MARCH/APRIL AS A GUEST OF CHEVRON IS TO DISCUSS CONSTRUCTION OF 25,000 MT STORAGE TANKS WITH MAJOR U.S. FIRMS. UNTIL NOW STORAGE HAS NOT BEEN A PROBLEM SINCE THERE HAS BEEN NO EXCESS SUPPLY.
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6. COMMENT: AGREEMENT WITH SAUDI ARABIA AND EGYPT REPRESENTS THE FIRST CLEAR INDICATION THAT THE SUDAN IS TURNING FAIRLY QUICKLY TO MORE "FRIENDLY" ARAB STATES FOR ITS PETROLEUM REQUIREMENTS. ALTHOUGH REPAYMENT TERMS CERTAINLY INFLUENCED SUDANESE DECISION TO SEEK CRUDE FROM THE SAUDIS, WE SUSPECT THAT RELIABILITY OF SUPPLY WAS ALSO A FACTOR. SUDAN PROBABLY FEELS SOMEWHAT UNEASY IN ITS HEAVY DEPENDENCE UPON IRAQ AND MAY TURN EXCLUSIVELY TO KUWAIT, EGYPT AND SAUDI ARABIA WHEN THE PRESENT AGREEMENT WITH IRAQ EXPIRES AT THE END OF NEXT YEAR.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PETROLEUM CONCESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KHARTO00925
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780095-0938
Format: TEL
From: KHARTOUM
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197803115/aaaadtyy.tel
Line Count: 106
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6fe13dba-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3143697
Secure: OPEN
Status: NATIVE
Subject: SUDAN DIVERSIFIES PETROLEUM SOURCES
TAGS: ENRG, EFIN, SU, SA, EG
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/6fe13dba-c288-dd11-92da-001cc4696bcc
Review Markings:
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